

Aveda Benchmark P&L Conversion Guide



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Converting a QuickBooks profit and loss (P&L) statement into a benchmark format involves comparing your financial performance against industry standards. Here's a step-by-step guide to help you achieve this:

1

Understand Benchmarking

- Benchmarking involves comparing your salon's financial performance with industry averages and best practices to identify areas for improvement and set realistic goals.
- Aveda has identified salon-industry benchmarks for each line item in your P&L, which should be used to monitor the financial performance of your salon.
- Aveda provided a Benchmark P&L Template in Microsoft Excel format, which allows you to easily compare the financial results of your salon to the benchmarks.

2

Align QuickBooks with the Benchmark P&L Template

- Ask your accountant/financial partner to update the chart of accounts (COA) in QuickBooks to match the sample COA provided.
- The provided COA mirrors the Benchmark P&L Template and includes enough subaccounts to provide insight, but not so many as to cause confusion. We recommend aligning with the provided COA as much as possible.
 - Many accounts in your current COA can be updated to an account on the provided COA.
- For instructions on updating the COA in QuickBooks Online and QuickBooks Desktop, creating subaccounts and merging accounts, see the video links in the COA workbook.

3

Record Activity in QuickBooks

- Once the new COA is set up, it's important to record transactions with the appropriate amount of detail to provide actionable insight.
- Whether using the recommended COA or not, it's important to record sales, inventory and cost of goods deliberately:
 - **Sales:** Use point of sale (POS) reports to separately record service revenue, retail revenue, discounts and online commissions. Sales tax collected from customers should **not** be recorded in the P&L.
 - **Inventory and cost of goods:** Use POS reports to separately record retail cost of goods, professional product and supply usage, and other inventory adjustments.
- Whether using the recommended COA or not, it's important to record payroll deliberately:
 - To easily record payroll in the proper general ledger (GL) accounts, we suggest setting up the following departments in your payroll system:
 - Service providers—hair (and spa, if applicable)
 - Salon manager
 - Guest care team
 - Owner compensation (other than commission)
 - Use reports from your payroll system to record the following items in separate GL accounts:
 - Service payroll
 - Retail commission
 - Payroll taxes associated with service providers
 - Non-service payroll—manager
 - Non-service payroll—guest care team
 - Payroll taxes associated with non-service payroll
 - Employee benefits
 - Owner compensation (other than commission) and related payroll tax
 - Tips should **not** be recorded in the P&L.

4

Transfer Data from QuickBooks to the Benchmark P&L Template

- Once the financials are completed for the month and all accounts are reconciled, it's time to convert data from QuickBooks to the Benchmark P&L Template.
- A brief video demonstration provides a visual walk-through of:
 - Formatting the P&L in QuickBooks Online
 - Transferring data from the QuickBooks P&L to the Benchmark P&L

NOTE: The video link is included on a tab in the Benchmark P&L Template.

5

Compare your Salon Results with Benchmarks

- Compare your salon results for each line item in your P&L to the corresponding benchmark number.
- Identify any significant variances between your salon's financial performance and the benchmark ratios. Note areas where your salon excels and where it falls short compared to industry standards.

6

Assess Opportunities for Improvement

- Focus on areas where your salon falls short of industry benchmarks and identify potential opportunities for improvement. This could involve cost reduction strategies, revenue enhancement or operational efficiency enhancements.

7

Set Goals and Strategies

- Establish realistic financial goals based on the benchmark ratios and the identified opportunities for improvement. Develop strategies to achieve these goals and enhance your salon's financial performance.
- Use the Aveda Business College Forecasting Tools to project the financial results of your new strategies and goals.

8

Monitor Progress

- Establish a deadline with your accountant for receiving benchmarked financial statements each month, preferably no later than the 20th of the following month. This is important for maintaining financial transparency and ensuring timely decision-making.
- **Every single month...** monitor your financial performance using the Benchmark P&L.
- Adjust strategies as needed to stay on track and continuously improve.

By following these steps, you can effectively convert your QuickBooks P&L into a benchmark format and use industry benchmarks to assess your salon's financial performance and make informed decisions for growth and improvement.